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**HAWALA TRANSFERRING FUNDS FROM U.S.
TO IRAN AGREES TO FORFEIT \$1.25 MILLION TO U.S.**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that pursuant to a settlement reached yesterday in Manhattan federal court between the United States and SAWAN EXCHANGE COMPANY, the United States forfeited \$1.25 million (plus interest) in funds seized from SAWAN's account at UBS in New York.

In March 2001, the United States filed the civil forfeiture action seeking to forfeit funds in the UBS account as proceeds of a violation of the Iran sanctions program. That program, promulgated by the Department of the Treasury's Office of Foreign Assets Control ("OFAC"), prohibits the provision of any service from the United States to Iran, knowing that such service is intended for supply to Iran, without a license from OFAC.

The trial began on May 12, 2003 before the United

States District Court Judge JED S. RAKOFF and on May 14, 2003, prior to closing arguments, the case was resolved with the filing of a Stipulation and Order of Settlement and Forfeiture (the "Settlement Agreement") which was endorsed by Judge RAKOFF.

According to court documents and the Settlement Agreement, SAWAN, based in Dubai, United Arab Emirates, opened the UBS Account in New York in 2000 and used it to facilitate a money exchange system known throughout the Arab world as *hawala*. *Hawalas* rely on a system of debits and credits to exchange currency between entities in different countries. According to court documents, SAWAN offered the service of exchanging dollars in the U.S. for tomans (the Iranian currency) in Iran.

According to court documents, in order to make payments to Iranian beneficiaries, Sawan's customers in the United States transferred U.S. dollars into Sawan's UBS account and instructed Sawan by fax to pay out equivalent amounts of tomans to designated beneficiaries in Iran. Sawan would then send a fax to its correspondents in Iran instructing them to pay tomans to the beneficiaries designated by Sawan's customers, according to the court records.

According to the Settlement Agreement, in 2000, Sawan's customers in the United States transferred over \$2 million into the UBS account for exchange into tomans and for further payment in Iran.

As part of the Settlement Agreement, Sawan acknowledged

that its *hawala* service constituted a prohibited service under the OFAC regulations.

This case is believed to involve the largest forfeiture in the United States based solely on the operation of a *hawala*.

Mr. COMEY praised the United States Customs Service and the El Dorado Task Force for their investigative efforts in this case.

Assistant United States Attorney DANIEL MARGOLIS is in charge of the forfeiture case.

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